

*Charles A. Ransom District Library*  
*Allegan County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2008*

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## INDEPENDENT AUDITORS' REPORT

### Board of Trustees

### Charles A. Ransom District Library

We have audited the accompanying financial statements of the governmental activities and the major fund of Charles A. Ransom District Library, as of June 30, 2008, and for the year then ended, which collectively comprise the Library's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Charles A. Ransom District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Charles A. Ransom District Library as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedule is not a required part of the basic financial statements of the Charles A. Ransom District Library, but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Charles A. Ransom District Library has not presented the management's discussion and analysis that Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Siegfried Crandall P.C.*

October 22, 2008

## **BASIC FINANCIAL STATEMENTS**

## STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2008

	<u>General</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
<b>ASSETS</b>			
Cash	\$ 471,508	\$ -	\$ 471,508
Investments	60,434	-	60,434
Receivables	15,518	-	15,518
Prepaid expenses	1,799	-	1,799
Capital assets not being depreciated - land	-	21,216	21,216
Capital assets, net of accumulated depreciation	-	677,891	677,891
Total assets	<u>\$ 549,259</u>	<u>699,107</u>	<u>1,248,366</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	<u>\$ 22,073</u>	<u>-</u>	<u>22,073</u>
<b>FUND BALANCE</b>			
Unreserved:			
Designated	144,521	(144,521)	-
Undesignated	<u>382,665</u>	<u>(382,665)</u>	<u>-</u>
Total fund balance	<u>527,186</u>	<u>(527,186)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 549,259</u>		
<b>NET ASSETS</b>			
Invested in capital assets		699,107	699,107
Unrestricted		<u>527,186</u>	<u>527,186</u>
Total net assets		<u>\$ 1,226,293</u>	<u>\$ 1,226,293</u>
Total fund balance			\$ 527,186
Amounts reported in the statement of net assets are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the fund.			<u>699,107</u>
Total net assets			<u>\$ 1,226,293</u>

See notes to financial statements

*Charles A. Ransom District Library*

**STATEMENT OF ACTIVITIES/STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**

*Year ended June 30, 2008*

	<u>General</u>	<u>Adjustments</u>	<u>Statement of activities</u>
<b>EXPENDITURES/EXPENSES</b>			
Culture and recreation:			
Operations	\$ 456,156	\$ (59,723)	\$ 396,433
Depreciation	<u>-</u>	<u>75,982</u>	<u>75,982</u>
Total culture and recreation	456,156	16,259	472,415
Capital outlay	<u>33,299</u>	<u>(33,299)</u>	<u>-</u>
Total program expenditures/expenses	<u>489,455</u>	<u>(17,040)</u>	<u>472,415</u>
<b>PROGRAM REVENUES</b>			
Charge for service	6,804	-	6,804
Fines and forfeitures	<u>69,501</u>	<u>-</u>	<u>69,501</u>
Total program revenues	<u>76,305</u>	<u>-</u>	<u>76,305</u>
<b>GENERAL REVENUES</b>			
Property taxes	396,521	-	396,521
State grants	11,465	-	11,465
Investment return	20,136	-	20,136
Contributions and other income	<u>2,979</u>	<u>-</u>	<u>2,979</u>
Total general revenues	<u>431,101</u>	<u>-</u>	<u>431,101</u>
<b>NET CHANGE IN FUND BALANCE/NET ASSETS</b>	17,951	17,040	34,991
<b>FUND BALANCE/NET ASSETS - BEGINNING</b>	<u>509,235</u>	<u>682,067</u>	<u>1,191,302</u>
<b>FUND BALANCE/NET ASSETS - ENDING</b>	<u>\$ 527,186</u>	<u>\$ 699,107</u>	<u>\$ 1,226,293</u>
Net change in fund balance			\$ 17,951
Amounts reported in the statement of activity are different because:			
Capital assets:			
Assets acquired			93,022
Provision for depreciation			<u>(75,982)</u>
Change in net assets			<u>\$ 34,991</u>

*See notes to financial statements*

**Charles A. Ransom District Library**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Charles A. Ransom District Library (the Library) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Library. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Library has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Library's financial statements. Also, the Library is not a component unit of any other entity.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the Library. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the nonexpendable trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Charles A. Ransom District Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Library.

The Library reports the following major governmental fund:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of GASB.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits and investments* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

*ii) Receivables and payables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are considered to be fully collectible.

*iii) Other assets* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*iv) Capital assets* - Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	3 - 20 years
Materials	5 - 10 years



**Charles A. Ransom District Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The Library experienced no expenditures in excess of budgetary limits.

NOTE 3 - CASH AND INVESTMENTS:

A reconciliation of cash and investments to the Library's deposits and investments, as shown in the combined balance sheet, is as follows:

Financial statements:	
Cash	\$ 471,508
Investments	<u>60,434</u>
	<u>\$ 531,942</u>
Note to the financial statements:	
Deposits	<u>\$ 531,942</u>

*Deposits:*

Deposits are carried at cost and are maintained at various financial institutions in the name of the Library. Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. Deposits in the amount of \$38,122 are not in accordance with statutory authority because they are held in financial institutions that do not maintain an office in the State of Michigan.

**Charles A. Ransom District Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH AND INVESTMENTS (Continued):**

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Library will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At June 30, 2008, \$234,585 of the Library's bank balances of \$534,224 was exposed to custodial credit risk because it was uninsured. The Library believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - RECEIVABLES:**

Receivables (all of which are due within one year and considered fully collectible) as of year end for the Library in the aggregate, are as follows:

Intergovernmental     \$ 15,518

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2008, was as follows:

	<i><u>Beginning balance</u></i>	<i><u>Increases</u></i>	<i><u>Decreases</u></i>	<i><u>Ending balance</u></i>
Capital assets not being depreciated - land	\$ 21,216	\$ -	\$ -	\$ 21,216
Capital assets being depreciated:				
Buildings and improvements	933,551	15,154	-	948,705
Furniture and equipment	240,729	12,653	-	253,382
Materials	<u>422,962</u>	<u>65,215</u>	<u>(32,042)</u>	<u>456,135</u>
Subtotal	<u>1,597,242</u>	<u>93,022</u>	<u>(32,042)</u>	<u>1,658,222</u>
Less accumulated depreciation for:				
Buildings	(533,261)	(24,851)	-	(558,112)
Furniture and equipment	(204,606)	(8,791)	-	(213,397)
Materials	<u>(198,524)</u>	<u>(42,340)</u>	<u>32,042</u>	<u>(208,822)</u>
Subtotal	<u>(936,391)</u>	<u>(75,982)</u>	<u>32,042</u>	<u>(980,331)</u>
Total capital assets being depreciated, net	<u>660,851</u>	<u>17,040</u>	<u>-</u>	<u>677,891</u>
Capital assets, net	<u>\$ 682,067</u>	<u>17,040</u>	<u>-</u>	<u>\$ 699,107</u>

**Charles A. Ransom District Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - PENSION PLAN:**

The Library provides pension benefits for full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The Library's contributions are fully vested immediately. The Library is not a trustee of the plan, nor is the Library responsible for investment management of plan assets. The Library made the required contribution of \$3,770 for the year ended June 30, 2008.

During the year ended June 30, 2008, the Board approved to discontinue future contributions to this defined contribution plan effective November 20, 2007, after the above contribution was made.

**NOTE 7 - RISKS MANAGEMENT:**

The Library is exposed to various risks of loss due to general liability, property and casualty, and employee injuries (workers' compensation).

The risks of loss arising from general liability up to \$1,000,000 aggregate, building contents and property damage, and workers' compensation coverage are managed through purchased commercial insurance.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Charles A. Ransom District Library**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 401,627	\$ 401,627	\$ 396,521	\$ (5,106)
Fines and forfeitures	63,000	66,000	69,501	3,501
State grants	10,000	10,000	11,465	1,465
Charge for service	4,400	4,400	6,804	2,404
Investment return	7,000	13,000	20,136	7,136
Other	<u>4,500</u>	<u>19,473</u>	<u>2,979</u>	<u>(16,494)</u>
Total revenues	<u>490,527</u>	<u>514,500</u>	<u>507,406</u>	<u>(7,094)</u>
<b>EXPENDITURES</b>				
Culture and recreation	436,560	457,592	456,156	1,436
Capital outlay	<u>16,500</u>	<u>33,462</u>	<u>33,299</u>	<u>163</u>
Total expenditures	<u>453,060</u>	<u>491,054</u>	<u>489,455</u>	<u>1,599</u>
<b>NET CHANGE IN FUND BALANCES</b>	37,467	23,446	17,951	(5,495)
<b>FUND BALANCES - BEGINNING</b>	<u>509,235</u>	<u>509,235</u>	<u>509,235</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 546,702</u>	<u>\$ 532,681</u>	<u>\$ 527,186</u>	<u>\$ (5,495)</u>

October 22, 2008

To the Board of Trustees  
Charles A. Ransom District Library

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charles A. Ransom District Library for the year ended June 30, 2008, and have issued our report thereon dated October 22, 2008. Professional standards require that we provide you with the following information related to our audit.

*Our Responsibility under U.S. Generally Accepted Auditing Standards*

As stated in our engagement letter dated July 7, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charles A. Ransom District Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Charles A. Ransom District Library during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Library's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended June 30, 2008.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charles A. Ransom District Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the Charles A. Ransom District Library as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Charles A. Ransom District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Library has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Library has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Charles A. Ransom District Library and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*